

First Amendment to the Contract

This First Amendment to the Contract for Iowa Medicaid Enterprise Services (the "Contract") between the State of Iowa, Department of Human Services (the "Agency" or "DHS") and Health Management Systems, Inc. (the "Contractor") is made pursuant to Section 22.5 of the Contract. This Amendment is effective as of the date last signed below and will remain coterminous with the Contract. The Amendment modifies, to the extent specified below, the terms and conditions of the Contract:

1. **Amendment to the Contract.** Section 7.1 of the Contract is deleted in its entirety and replaced with the following:

7.1 Performance Based Contract

Contractor acknowledges that this is a fixed price performance based Contract for all revenue collection services and that the Contractor is obligated to perform all of the Contractor's Responsibilities and meet all of the Contractor Performance Standards in this Contract. DHS acknowledges that it is responsible for meeting all State Responsibilities in the RFP and this Contract.

The prices for Operations and Transition in the Base Term are 8.25% contingency fee for estate recoveries plus:

SFY 2010	\$ 0.00
SFY 2011	\$ 2,141,573.00
SFY 2012	as outlined below in the Implementation Payment and Operations Payment subparagraphs.
SFY 2013	\$ 2,840,294.42

The prices for the three (3) Renewal Option Years are 8.5% contingency fee for estate recoveries plus:

SFY 2014	\$ 2,939,705.01
SFY 2015	\$ 3,042,594.69
SFY 2016	\$ 3,149,085.86

In addition to the price identified herein, A) If the Contractor requested equipment and supplies, excluding office supplies in their Bid Proposal for the Transition, the Department will provide the equipment and supplies if approved to the extent permitted under state procurement laws; B) During the Transition, Operations, and Renewal Option Years, if applicable, the Department will provide the Contractor the equipment and supplies specified in Attachment 4 of the contract.

Implementation Payment: In addition to amounts set forth above, Contractor may also invoice the Department for costs that have received prior written approval from the Department and that relate to implementation of new services outlined in the First Amendment ("New Services") during State Fiscal Year 2012. Such Implementation

Payment costs may not exceed \$50,000. Contractor may not invoice for the Implementation Payment until the Department has confirmed in writing the successful implementation of all New Services.

Operations Payment: During SFY 2012, Contractor may invoice the Department at a monthly rate of \$184,710.67. For any full month in State Fiscal Year 2012 following the Effective Date of the First Amendment to the Contract, Contractor may increase the monthly invoice to \$228,687.19.

In the remaining Contract years, one twelfth (1/12) of the annual operations payment shall be earned monthly and invoiced the month following the month in which services are performed. During any state fiscal year the Department may withhold up to twelve (12%) percent of the Contractor's annual compensation for Operations for failure to perform.

No amount shall be withheld when failure to perform is due solely to another's action or failure to act, including, without limitation, the Departments' action or failure to act.

The amount withheld for failure to perform a requirement or to meet a performance standard under this Contract shall be released to the Contractor upon presentation to the Department of a successful completion of a corrective action plan to correct the performance failure for which the amount was withheld. If there is an amount withheld at termination of this Contract or at the end of the Contract term, the amount withheld shall be placed in escrow, and the Contractor and the Department shall agree on steps the Contractor shall take to earn the balance in escrow.

2. **Amendment to the Contract.** Section 19.2 of the Contract is deleted in its entirety and replaced with the following:

19.2. State Staff

State staff will be available to the Contractor during regular business hours of 8:00 a.m. to 4:30 p.m., Monday through Friday, excluding State holidays.

On-site Contractor staff will observe the same regular business hours including State holidays.

3. **Amendment to the Contract.** Subsection 6.1.3.4.3.5 of RFP MED-10-001, incorporated by reference into the Contract, is hereby amended to read as follows:

6.1.3.4.3.5 Revenue Collections

The Revenue Collections Contractor will deliver cost avoidance segments to the State that prevent the incorrect expenditure of state funds. SFY 2011 will provide the benchmark year during which cost avoidance funds equaled \$166,403,317. In each following Contract year, cost avoidance will increase by five (5) percent. In addition, the number of MMIS screens updated either by file uploads or by Contractor staff housed in the IME will be tracked and in each Contract year, the number of segments delivered

will increase such that the percentage of newly identified policies is equal to or greater than the percentage of Medicaid caseload growth, excluding members assigned to an HMO providing full health care benefits.

4. **Amendment to the Contract.** Subsection 6.6.2 of RFP MED-10-001, incorporated by reference into the Contract, is hereby amended to read as follows:

k. Medicare Part A and Part B disallowance five (5) times per year cycles.

5. **Amendment to the Contract.** Subsection 6.6.2.3 of RFP MED-10-001, incorporated by reference into the Contract, is hereby amended to read as follows:

6.6.2.3 Performance Standards

- a. Post TPL recovery amounts within two (2) business days and denial information within sixty (60) business days of receipt of the recovery data to track benefit recoveries.
 - b. Initiate follow-up activities on unpaid post payment carrier billings within ninety (90) business days.
 - c. Complete the verification or validation of TPL and update MMIS with the data within sixty (60) business days of receiving the Medicaid or IowaCare member Information Questionnaire TPL leads.
 - d. Ensure accuracy of TPL data in MMIS files based on the monthly quality assurance audit of the sample data. The quality assurance audit should consist of a one (1) percent sample of all new policies added or termed policies deleted for the prior month.
 - e. Report to the Department all third-party health insurance coverage information for IowaCare members within five business days of the end of each month.
6. **Amendment to the Contract.** Subsection 6.6.3 of RFP MED-10-001, incorporated by reference into the Contract, is hereby amended to read as follows:

The lien recovery process consists of identifying trauma, accident, and medical malpractice cases for which a third party is potentially liable, pursuing recovery from the third party, and receiving and tracking funds recovered for trauma, accident, and medical malpractice cases. The Revenue Collections contractor uses TPL-related data from the claims processing function, including but not limited to indicators of accident-related treatments and trauma-related diagnoses.

6.6.3.1 State Responsibilities

- a. Identify trauma, accident, and medical malpractice related diagnoses and procedures.
- b. Arrange for the Core MMIS contractor to provide the Revenue Collections contractor with reports identifying accident related diagnoses and procedures, by member.
- c. Identify minimum dollar expenditures for pursuing recovery.
- d. Monitor the contractor's performance of the lien recovery activities.

- e. Pursue medical malpractice claims identified through lien recovery or by other means.

6.6.3.2 Contractor Responsibilities

- a. Meet the following objectives:
 - 1. Identify trauma, accident, and medical malpractice cases where funds expended by Medicaid or IowaCare can be recovered from liable third parties.
 - 2. Recover funds from liable third parties for trauma, accident, and medical malpractice cases.
- b. Maintain the following interfaces:
 - 1. Liable third parties
 - 2. Attorneys for members
- c. Review claims with trauma indicators to identify potential cases for subrogation; prepare records of the medical services provided to the member based on the medical assistance claims.
- d. Identify potential cases for subrogation and prepare reports of the amount of medical services provided to the member based on the medical assistance claims data.
- e. Provide case data to the state attorney general's office for subrogation cases that are appealed.
- f. Track all subrogation cases from initial intake to final disposition. Provide a monthly report of these cases to the Department within 10 business days following the end of each month.
- g. Maintain a process or utilize a tool to select individual claims online to build recovery cases (such as tort cases related to auto accidents).
- h. Provide to the Department the following types of reports to meet federal and state requirements:
 - 1. Listings of potential recovery claims based on user input section parameters (subrogation)
 - 2. Amounts billed and collected, current, and year-to-date (monthly)
 - 3. Potential trauma, accident, or medical malpractice claims (monthly)
- i. Log and prepare all recoveries to be deposited in the state-owned Title XIX recovery bank account according to RFP Section 6.1.8 Banking Policies.

6.6.3.3 Performance Standards

- a. Provide monthly reports of lien recovery activity by the tenth business day of the month with state fiscal year-to-date data and updated for the previous month's activity.
- b. Prepare and process credits or adjustments against recoveries received within 20 business days.

- 7. Amendment to the Contract.** Subsection 6.6.4.3 of RFP MED-10-001, incorporated by reference into the Contract, is hereby amended to read as follows:

6.6.4.3 Performance Standards

- a. Log and prepare all refund checks to be deposited in the state-owned Title XIX recovery bank account according to RFP Section 6.1.8 Banking Policies.
- b. Prepare and process credits or adjustments against refunds within ten (10) business days of receipt of the refund unless additional information is required to determine the action to be taken. This excludes the Medicare adjustment check, checks belonging to the Program Integrity Unit, which are exempt from the timing requirement, and checks received in the IME Wells Fargo lock box that were not part of the Contractor's billing.
- c. If additional information is required in order to determine the action to be taken on the credit or adjustment related to a provider refund, request the additional information within five (5) business days of determination of the need for additional information.
- d. For refunds requiring additional information from the provider, enter claim credits or adjustments within five (5) business days of receipt of additional information from the provider.

8. **Amendment to the Contract.** A new subsection 6.6.8 of RFP MED-10-001, incorporated by reference into the Contract, is hereby added to the Contract, which shall read as follows:

6.6.8 Iowa-Based Yield Management Activities

Yield management describes the process by which Medicaid funds are recovered or cost-avoided through the review of claims that have been denied by a third-party insurer to ascertain whether the carrier's denial was appropriate and challenging the denial when it appears the insurer should have paid the claim.

6.6.8.1 State Responsibilities

- a. Monitor the Contractor's performance of the Iowa-based yield management activities.

6.6.8.2 Contractor Responsibilities

- a. Provide three (3) full-time Iowa-based staff dedicated to perform yield management activities.
- b. Develop a process by which claims that have been denied by third-party insurance carriers are reviewed for appropriateness of the denial.
- c. Request additional information and challenge the denial when it appears the claim should have been paid by the insurance carrier.
- d. Obtain all denial Explanations of Benefits (EOBs) from the contracted bank's lock box and make a copy for local handling. Forward the original EOB to the Contractor's corporate office for data entry.

6.6.8.3 Performance Standards

- a. Provide monthly reports of yield management collections to the Department by the tenth (10th) of each month for the previous month's activities. If the tenth (10) falls on a weekend or holiday, the report shall be provided no later than the next business

- day. The information in the monthly report shall include the total amount of Medicaid funds recovered.
- b. Provide a quarterly report with summary information for the most recent quarter to the Department by the tenth (10th) of each month for the previous quarter's activities. If the tenth (10) falls on a weekend or holiday, the report shall be provided no later than the next business day. The information in the quarterly report shall include the amount of Medicaid funds recovered in the previous quarter as well as the total year-to-date.
 - c. Provide an annual report with summary information for the previous state fiscal year to the Department no later than August 15th of each year. The report shall be a compilation of the information from the quarterly reports.
 - d. Update the comprehensive Iowa Operations Manual to reflect this activity within ninety (90) days of the effective date of this amendment to the Contract.
9. **Amendment to the Contract.** A new subsection 6.8.5 of RFP MED-10-001, incorporated by reference into the Contract, is hereby added to the Contract, which shall read as follows:

6.8.5 Medical Assistance Income Trust and Special Needs Trust Monitoring

The Contractor shall establish a process by which the Department's Medicaid eligibility staff will refer Medical Assistance Income Trusts and Special Needs Trusts to the Contractor for review to ascertain how the trust affects the member's Medicaid eligibility. Additionally, the Contractor shall establish a process by which all Medical Assistance Income Trusts and Special Needs Trusts are logged, tracked, and monitored to ensure the State's interest as a residuary beneficiary are protected and to maximize recovery of Medicaid expenditures.

6.8.5.1 State Responsibilities

- a. Timely review and approve training and outreach materials.
- b. Assist in training Medicaid eligibility staff as appropriate.
- c. Update the Employees' Manual to reflect the new processes as appropriate.
- d. Monitor the Contractor's performance of the medical assistance income trust and special needs trust monitoring activities.

6.8.5.2 Contractor Responsibilities

- a. Develop and maintain a searchable case tracking system for all medical assistance income trusts and special needs trusts for which the State is a residuary beneficiary. The case tracking system or database shall include all pertinent information concerning the trust and documentation regarding any correspondence, expenditure report reviews, or other activity related to the trust.
- b. Inform trustees of their obligations to the State of Iowa as a residuary beneficiary of the trust.
- c. Conduct outreach activities to educate trustees and members of the bar association on obligations owed to the State arising from special needs and medical assistance income trusts.

- d. Identify individuals on new and existing Medicaid cases who have established a medical assistance income trust or special needs trust for which the State is a residuary beneficiary and establish a file in the case tracking system.
- e. Review trust documents referred by eligibility staff for Medicaid eligibility purposes and advise the Department on whether the trust language meets requirements for exemption from the general rules regarding self-settled trusts.
- f. Establish a review schedule for each trust in the case tracking system to ensure that trust income and expenditures from the trust are reviewed annually.
- g. Track activity of the trusts to identify trust terminations for which recovery activity should be initiated.
- h. Review requests for expenditures from medical assistance income trusts and special needs trusts, resolve disputes with trustees or beneficiaries over expenditures, identify any Departmental objections to requested trust expenditures, and file any necessary court documents regarding approval of requested expenditures.
- i. Refer cases to the Iowa Attorney General's Office in situations when:
 - 1. The trustee or representative has spent trust funds inappropriately and/or violated obligations to the trust residuary beneficiary, and attempts to resolve such concerns with the trustee or representative are unsuccessful;
 - 2. A trustee or beneficiary has requested court approval of an expenditure to which the Department does not consent; or
 - 3. The trustee or representative does not respond to inquiries regarding expenditures from the trust, including providing annual expenditure reports or otherwise cooperate with recovery efforts.
- j. Draft all necessary guidance documents regarding trust related obligations, including but not limited to, informational letters, training materials, forms, a communication plan, proposed administrative rules, employee manual entries, and Internet materials.

6.8.5.3 Performance Standards

a. Implementation.

- 1. Submit a draft work plan to implement the provisions of this subsection for approval by the Department within fourteen (14) business days of the effective date of this amendment to the contract.
- 2. Fully implement and operationalize the case tracking system within ninety (90) days of the effective date of this amendment to the Contract.
- 3. Develop and submit draft training material to the Department for approval within thirty (30) days of the effective date of this amendment to the Contract.
- 4. Conduct training for Medicaid eligibility staff within sixty (60) days of the effective date of this amendment to the Contract.
- 5. Update the comprehensive Iowa Operations Manual to reflect this activity within ninety (90) days of the effective date of this amendment to the Contract.

b. Ongoing Operations

- 1. Trusts referred by Medicaid eligibility staff shall be logged into the case tracking system within one (1) business day of receipt.

2. Trusts shall be reviewed and a written response on how the trust affects the applicant or member's eligibility shall be provided to the requestor as soon as possible and no more than fourteen (14) calendar days of receipt of the referral.
3. Provide all newly identified trustees with educational material within fifteen (15) calendar days of identifying the trust.
4. Respond to written correspondence regarding trust-related issues within ten (10) business days.
5. Respond to phone calls and email messages regarding trust-related issues within two (2) business days.
6. The annual review schedule shall be established for each trust case at the time the case is entered into the tracking system. Requests for annual expenditure reports from the trustee shall be made, in writing, no later than thirty (30) calendar days before the month of review.
7. Reviews of annual expenditure reports from trustees not submitted to a court shall be completed within thirty (30) days of receipt of the report in ninety (90) percent of all cases.
8. Review any court filings regarding Special Needs Trusts or Medical Assistance Income Trusts within ten (10) business days and in sufficient time to permit timely court filings.
9. All matters requiring the attention of the Attorney General's Office are referred to that office within ten (10) business days and in sufficient time to permit timely court filings.
10. Provide monthly reports of ongoing cases and collections to the Department by the tenth (10th) of each month for the previous month's activities. If the tenth (10) falls on a weekend or holiday, the report shall be provided no later than the next business day. The information in the monthly report shall include identifying information for all trust cases disposed of during the month, the resolution of each trust case (e.g. closed with collection, closed without collection, referred to the Attorney General's Office, etc.), the total amount owed to the State for those cases and the amount that was collected.
11. Provide a quarterly report with summary information for the most recent quarter to the Department by the tenth (10th) of each month for the previous quarter's activities. If the tenth (10) falls on a weekend or holiday, the report shall be provided no later than the next business day. The information in the quarterly report shall include identifying information for all trust cases disposed of during the quarter, the resolution of each trust case (e.g. closed with collection, closed without collection, referred to the Attorney General's Office, etc.), the total amount owed to the State for those cases and the amount that was collected. The quarterly report shall also include the total number of all open trust cases, the year-to-date number of closed cases, the total amount of Medicaid expenditures for those cases and the total amount collected for those cases.
12. Provide an annual report with summary information for the previous state fiscal year to the Department no later than August 15th of each year. The report shall be a compilation of the information from the quarterly reports.

10. Ratification, Authorization & Contingency. Except as expressly amended and supplemented herein, the Contract shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof. Each party to this Amendment represents and warrants to the other that it has the right, power, and authority to enter into and perform its obligations under this Amendment, and it has taken all requisite actions (corporate, statutory, or otherwise) to approve execution, delivery and performance of this Amendment, and this Amendment constitutes a legal, valid and binding obligation upon itself in accordance with its terms. This Amendment is subject to and contingent upon CMS approval.

11. Execution. IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Amendment and have caused their duly authorized representatives to execute this Amendment.

State of Iowa, acting by and through the Iowa Department of Human Services (Agency)

By: CM Palmer Date: 2-15-12
Charles M. Palmer, Director

Health Management Systems, Inc.

By: Maria Perrin Date: 2/29/12
Maria Perrin, Executive Vice President, Government Services